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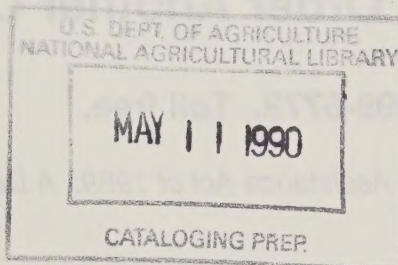
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# The Disaster Assistance Act of 1989

## A Description of the Provisions

Susan L. Pollack





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The Disaster Assistance Act of 1989: A Description of the Provisions. By Susan L. Pollack. Agriculture and Trade Analysis Division, Economic Research Service, U.S. Department of Agriculture. Staff Report No. AGES 89-59.

### Abstract

On August 14, 1989, President Bush signed the Disaster Assistance Act of 1989 (P.L. 101-82). The law provides assistance to crop and livestock producers who suffered losses from natural disasters in 1988 and 1989 which affected their 1989 harvest. At the same time, he signed P.L. 101-81 which permits planting of alternative crops on permitted acreage. This report describes these laws and explains the assistance available to different kinds of producers and the crops permitted to be planted.

Keywords: Natural disaster, crop assistance, livestock assistance, disaster payment, payment limitation, crop insurance, program commodity, nonprogram commodity, emergency loan, drought, alternative crop



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## Summary

The Disaster Assistance Act of 1989 provides disaster benefits for producers who suffered losses due to drought, hail, excessive moisture, or related conditions in crops planted in 1988 and 1989 and harvested in 1989.

### Assistance to Crop Producers

Producers of annual commercial crops will receive disaster payments if they lost production of their crop planted in 1988 or 1989 due to drought, flood, or other natural disaster of at least: 35 percent for program producers with crop insurance, 40 percent for those without, 45 percent for soybean and sunflower producers, and 50 percent for nonparticipating program crop producers, nonprogram crop producers, and honey producers.

Payment rates differ depending on the commodity, whether the producers participated in the 1989 Federal commodity program, and whether the producer has Federal crop insurance. The disaster payment for wheat, feed grain, cotton, and rice program participants who lost 35 percent (for those with crop insurance) or 40 percent (for those without) or more of their crop will equal 65 percent of the 1989 target price. Nonparticipants who raise program crops will receive 65 percent of the county loan rate.

The payment for producers of peanut, sugar beet, sugarcane, and tobacco crops, who lost at least 35 percent (for those with crop insurance) or 40 percent (for those without) of their crop, will be 65 percent of the 1989 price support level.

Producers who lost at least 45 percent of their soybean and sunflower crops will receive payments equal to 65 percent of the average producer market price of the last 5 years. Producers who lost at least 50 percent of their nonprogram crop will receive payments equal to 65 percent of the average producer market price. Honey producers will receive 50 percent of the producer's historic annual yield for the crop.

### Advance Deficiency Payments

On production losses up to 35 percent (40 percent for those without crop insurance), advance deficiency payments for the 1989 wheat, feed grains, upland cotton, and rice are not required to be refunded. Program producers who had not previously chosen to receive advance deficiency payments may choose to do so within 30 days of the enactment of this act. If the Secretary determines that any portion of the 1989 advance deficiency payment must be refunded, producers will not have to repay that portion until July 31, 1990.

Refunds of 1988 advance deficiency payments that producers may be required to make have been further extended from July 31, 1989, to July 31, 1990.



## Assistance to Livestock Producers

Dealers and manufacturers who furnish feed grain under the Emergency Livestock Feed Assistance Program may replace their supply with Commodity Credit Corporation-owned (CCC) feed grains. Producers may use onfarm stored feed grain that is under CCC loan for the purpose of furnishing feed under the Emergency Livestock Feed Assistance Program.

The bill authorizes \$25 million for construction or maintenance assistance of livestock drinking water, and another \$25 million for transportation assistance for livestock grazing locations for 1989 emergencies. It also authorizes the use of water assistance measures to provide water for confined livestock and make those who undertake emergency measures in 1989 eligible if a period of serious drought occurs in fiscal 1989.

## Forest Crops and Orchards

USDA must pay either 1) 65 percent of the cost of replanting tree seedlings that produce an annual crop or are grown for commercial harvest for loss in excess of 45 percent; or 2) sufficient seedlings to reestablish the orchard or forest. Eligible orchardists are those who produce annual crops from trees and own 500 acres or fewer of such trees. Eligible tree farmers are those who grow trees for harvest for commercial purposes and own 1,000 acres or fewer of such trees.

## Payment Limitations

Disaster payments for crops are limited to \$100,000 per person. Any person with annual gross revenues of over \$2 million is not eligible for disaster assistance.

Combined benefits from livestock emergency programs and crop payments cannot exceed \$100,000. Producers are prohibited from receiving double benefits on the same production loss.

Combined crop insurance benefits and disaster payments cannot exceed income that would result from normal crop yields.

## Crop Insurance

Producers who receive disaster payments must obtain multiperil crop insurance (if it is available) for the 1990 crop of the commodity for which they are seeking disaster payments or forgiveness of advanced deficiency payments if their losses exceed 65 percent. This requirement does not apply if the premium would exceed 25 percent of the benefits received under the disaster program or if the insurance premium increases more than 25 percent between 1989 and 1990.

## Farmers Home Administration Loans

USDA is authorized to provide emergency loans for producers whose crops planted for harvest in 1989 were affected by disaster whether or not the producer had previously purchased crop insurance.

Farmers Home Administration (FmHA) loan guarantees made by the Farm Credit System or other commercial lenders are extended for producers who have borrowed and cannot repay all or part of their 1989 operating loans or regularly scheduled 1989 or 1990 installments on farm ownership, farm equipment, or farm structure loans. Producers qualify if they suffered a major production loss due to adverse weather conditions in 1988 or 1989.

## Water Assistance

An emergency water assistance program is authorized to assist rural area residents to secure adequate quantities of water where significant declines in the quality or quantity of available water have occurred. Grants of \$35 million in each of FY 1990 and FY 1991 are authorized for this program to communities with populations of 15,000 or fewer; 50 percent of the funds each year are to be made available to communities with populations of 5,000 or fewer.

## Conservation

USDA is authorized not to reduce rental payments (equal to one-half the amount paid by the participant in carrying out the conservation practice) to participants in the Conservation Reserve Program (CRP) who are allowed to hay or graze their CRP acres if they incur costs in carrying out approved conservation practices.

## Other Provisions

Producers with prevented planting acreage or failed acreage can choose between 50/92 or 0/92 participation or disaster payments.

USDA is authorized to allow 1989 crop producers with crop insurance to substitute Federal Crop Insurance Corporation yields for farm program payments when determining disaster assistance eligibility.

The Secretary may make an additional payment of up to 10 percent to producers of nonprogram crops if the reduced quality of the crop results in losses of between 45 and 75 percent.

The Secretary must permit the planting of certain alternative crops, such as mung beans and mustard, on up to 20 percent of a farm's base acreage.

The Secretary is directed to reduce disaster payments to reflect the value of any crop planted to replace the crop for which disaster payments are received.



# **The Disaster Assistance Act of 1989**

## **A Description of the Provisions**

Susan L. Pollack

### **Introduction**

The Disaster Assistance Act of 1989 (P.L. 101-82) was signed into law August 14, 1989. This act is similar to the Disaster Assistance Act of 1988, P.L. 100-387. However, it provides assistance to crop producers at different levels, favoring program producers and those with crop insurance. It does not provide for increased payments for higher losses, as did the 1988 Act. It also provides for less assistance to livestock producers. The 1989 law, estimated to cost \$897 million, is designed to provide assistance to farmers and ranchers who suffered losses due to natural disaster in 1988 and 1989 for crops marketed in the 1989/90 season. These disasters include drought, hail, excessive moisture, and related conditions.

The six titles of the bill provide aid to livestock, crop, and forestry producers, agricultural credit to producers and rural businesses, and water assistance to rural areas. Title I provides disaster assistance to crop producers. The amount of production loss required to be eligible for payments differs for program participants with and without crop insurance, program nonparticipants, nonprogram producers, and soybean and sunflower producers. Assistance will also be provided to producers whose crop quality declined. This title also provides for assistance to orchards and forest crops, limits reduction in Conservation Reserve Program rental payment to producers who practice certain conservation measures, and provides assistance for constructing and deepening ponds for livestock water.

Title II describes emergency assistance to livestock producers. Those who grow their own feed may use the feed stored on their farm, but under CCC loan, for livestock feed. Emergency water and livestock transportation assistance is also provided.

Title III contains disaster credit and forbearance and restructuring of loans. Restructuring and refinancing of debts for rural businesses are included in Title IV.

Title V authorizes an emergency water assistance program to help small, rural communities secure an adequate supply and quality of water. The act authorizes \$35 million for each of fiscal 1990 and 1991 to carry out the program. It also calls for water assistance for confined livestock and repairing watersheds damaged by storms.

Title VI directs the Secretary to allow the planting of alternative crops on permitted acreage, provides for shrinkage allowance for peanut exporters, extends the payment date for 1988 advanced deficiency payments, and allows producers to choose how to determine their yield for crop insurance coverage purposes.

## Title I--Emergency Crop Loss Assistance

### Annual Crops (Subtitle A)

Disaster payments will be provided to all agricultural producers, whether or not they participated in Federal programs or have crop insurance (see Sec. 107). However, to receive payments, a producer must obtain multiperil crop insurance for the 1990 crop if production loss exceeds 65 percent and the producer does not already have insurance.

Payments will be provided to program participants, and all producers of peanut, sugar, and tobacco with crop insurance whose losses exceed 35 percent for their 1989 crop, or 40 percent for those without crop insurance; 45 percent for soybean and sunflower producers; or 50 percent for program nonparticipants and nonprogram crop producers. The producer's total disaster payment equals a percentage of the base yield less the actual yield multiplied by the disaster payment rate. The percentage of the base yield and the measure used to determine the base yield are:

- o Program participants--65 percent with crop insurance or 60 percent without crop insurance of the farm program payment yield.
- o Program nonparticipants--50 percent of the county average yield.
- o Peanuts--65 percent with crop insurance or 60 percent without crop insurance of the program yield.
- o Tobacco, sugar beets, and sugarcane--65 percent with crop insurance or 60 percent without crop insurance of the county average yield.
- o Soybeans and sunflower seeds--55 percent of the State, area, or county yield, adjusted for adverse weather conditions during the 1986, 1987, and 1988 crop years.
- o Nonprogram crops (except honey)--50 percent of the yield established by the Commodity Credit Corporation.
- o Honey--50 percent of the historical annual yield of the producer for the crop.

The rate is 65 percent of the crop payment level for any production loss greater than the levels above. (For burley or flue-cured tobacco, the levels are based on the farm's effective marketing quota for 1989.) The payment



levels are:

- o Program participants--the target price of the commodity.
- o Program nonparticipants--the basic county loan rate for the commodity or, if there is none, a comparable price.
- o Peanut producers--the price support level for quota peanuts or additional peanuts, as appropriate.
- o Tobacco producers--the national average loan rate or, if none, the market price.
- o Sugar beets and sugarcane producers--the level determined by the Secretary to be fair and reasonable in relation to price-support levels for these 1989 crops. The return to the producer should not be less than under the 1989 price support.
- o Soybean and nonprogram crops--the simple average price received by producers of a commodity during the previous 5 marketing years, excluding the highest and lowest price.

#### Section 101. Payments to Program Participants for Target Price Commodities

Crops planted on acreage where production had to be diverted or reduced as part of the requirements for participation in a commodity program are not eligible for disaster payments. Producers of wheat, feed grains, upland cotton, and rice who elected to enter the 0/92 or 50/92 programs because of failed acreage of the crop or were prevented from planting the crop because of adverse weather conditions have the option to receive disaster payments instead of 92 percent of their deficiency payments.

Producers will not be required to refund advance deficiency payments for their 1989 wheat, feed grain, upland cotton, and rice crops for production losses up to 35 percent (for those with crop insurance) and 40 percent (for those without crop insurance). Producers who did not choose to receive advance deficiency payments prior to this act had until mid-September 1989 to choose to receive them. However, the Secretary may determine that an advance deficiency payment refund would be required on that portion of the crop for which a disaster payment was made. In this case, the producer would have until July 31, 1990, to repay.

#### Section 102. Payments to Program Nonparticipants for Target Price Commodities

Program nonparticipants will receive prevented-planting credit for acreage which they could not plant in 1988 or 1989 due to disaster, as determined by the Secretary. The acreage for which a producer can receive credit cannot be greater than the acreage planted to the commodity (or prevented from planting due to conditions beyond the producer's control) for harvest in 1988 or the average of the acreage planted to harvest or prevented from planting in 1986, 1987, and 1988 minus the acreage actually planted to the commodity for harvest

in 1989. Adjustments will be made to take into account crop rotation practices.

The amount of payments a producer can receive will be reduced by the acreage limitation program percentage as established for the crop by the Secretary. The amount of required acreage reduction for 1989 was:

<u>Crop</u>	<u>Percent</u>
Wheat	10
Feed grains (except oats)	10
Oats	5
Rice	25
Upland cotton	25
Extra long staple cotton	5

### Section 103. Peanuts, Sugar, and Tobacco

Producers of peanuts, sugar beets, sugarcane, and tobacco are also eligible to receive the prevented-planting credit described in Section 102. Adjustments will be made for increased quotas for the 1989 tobacco crops as well as crop rotation practices.

Special rules for peanuts. Peanut production losses will be reduced by the amount of poundage quota that was the basis of anticipated production that has been transferred from the farm. Disaster payments will take into account whether the decreased production was in quota peanuts or additional peanuts. Future quota increases will be determined by the amount of the producer's undermarketings reduced by the amount of peanut production loss which received disaster payments.

Special rules for tobacco. The amount of undermarketings to be used to determine future tobacco quota increases will be reduced by the amount of tobacco loss which received disaster payments. Disaster payments will not be considered in determining the net losses of the Commodity Credit Corporation.

### Section 104. Soybeans and Nonprogram Crops

Disaster payments will be made on a crop-by-crop basis, taking into account markets and uses of the crop. Payment levels will be determined separately for each crop, and, as is practicable, for different varieties of the same commodity which have significantly different economic value on the market.

In determining the quantity of the 1989 nonprogram crop that a producer is able to harvest, the Secretary must exclude 70 percent of the quantity of the commodity that could not be sold in normal channels of trade because of damaging weather in 1988 or 1989, as well as dockage (if dockage is used in calculating yields). Producers of soybeans and nonprogram crops are eligible for the prevented-planting credit described in Section 102.



Disaster program farm yields for nonprogram crops will be based on proven yields if the producer can provide satisfactory evidence of actual crop yields on the farm for at least 1 of the immediately preceding 3 crop years. The county average yield for the commodity will be used if such data do not exist. Best available yield data are to be used in determining the county average yield, including extension service records, credible nongovernmental studies, and yields of similar counties.

#### Section 105. Crop Quality Reduction Disaster Payments

To ensure that program participants, and peanut, tobacco, sugar, and soybean producers of 1989 crops are treated equitably, the Secretary may make additional disaster payments to producers who suffered losses caused by reduced quality of the crops because of natural disaster. If the Secretary decides to make such a payment, producers would qualify if they had a production loss of 45 percent or greater but less than 75 percent.

The reduced-quality payment is not to exceed 10 percent of the payment level used to determine the disaster payment for the crop (see disaster payment description). The amount of payment is determined by multiplying the payment level by the portion of the actual harvested crop on the producer's farm that is reduced in quality by natural disaster in 1988 or 1989.

#### Section 106. Effect of Federal Crop Insurance Payments

For producers who obtained Federal crop insurance, total payments will be limited to combined crop insurance benefits and disaster payments up to an amount that does not exceed income that would have resulted from a normal crop yield.

#### Section 107. Crop Insurance Coverage for the 1990 Crops

Producers who elect to receive disaster payments and who suffer crop losses greater than 65 percent must purchase the minimum amount of Federal crop insurance if available in their county for the 1990 crop. This requirement does not apply if the premium for the crop insurance would exceed 25 percent of the benefits received under the disaster program or if the insurance premium increases more than 25 percent between 1989 and 1990. Farmers can appeal to their local ASCS committee to waive the crop insurance requirement if they can demonstrate that its purchase would create undue financial hardship.

The Secretary is to establish regulations to reduce commissions paid to private insurance agents, brokers, or companies on crop insurance contracts entered into by producers in order to receive disaster payments. The regulations are to ensure that the commission reflects only the servicing function performed by the agent, broker, or company.

If producers cancel their crop insurance, they must immediately repay any disaster payment, refund any forgiven advanced deficiency payment, and will be immediately liable for full repayment of all principal and interest outstanding on any emergency loan.

### Section 108. Crops Harvested for Forage Uses

The Secretary must announce the terms and conditions by which producers may establish 1989 yields for crops that will be harvested for silage and other forage uses no later than 15 days after enactment of this act.

### Section 109. Payment Limitations

The total amount of disaster payments a person is entitled to receive under one or more of these programs is \$100,000. The producer cannot receive double benefits on the same loss. Combined livestock benefits and disaster payments may not exceed \$100,000 for each person. The Secretary is to define "person," conforming with the definition used under the Food Security Act of 1985.

### Section 110. No Double Payments on Replanted Acreage

If a producer plants a crop for harvest as replacement for the lost crop, disaster payments for the lost crop are to be reduced by an amount which reflects the value of the replacement crop.

The value of the replacement crop will be based on the producer's actual yield and average market prices of the crop during a representative period and will take into account the producer's historical cropping patterns.

### Section 111. Substitution of Crop Insurance Program Yields

The Secretary may permit wheat, feed grains, upland cotton, extra long staple cotton, rice, or soybean producers who are eligible for disaster payments to substitute the crop insurance yield for the farm yield that would otherwise be assigned to the crop to determine whether they meet the eligibility requirements for disaster payments for the 1989 crop. If the producers were unable to obtain crop insurance for 1989 due to no fault of their own, they may use the crop insurance yield for the 1988 crop of the commodity.

If eligible producers of these crops choose to use crop insurance yields for determining eligibility requirements for the 1989 crop, their eligibility to waive or repay the advance deficiency payment on the crop will be adjusted by the difference between the amount of production which qualifies for disaster payments under the substituted yield, and the amount of production which would qualify for disaster payments using the producers' farm program payment.

## Orchards (Subtitle B)

### Section 121. Eligibility

The Secretary will provide assistance to eligible orchardists who had a commercial tree loss greater than 45 percent (adjusted for normal mortality) because of freeze or related conditions in 1989.



## Section 122. Assistance

Assistance consists of either reimbursing 65 percent of the cost of replanting seedlings lost to freeze or related conditions (over 45 percent of the loss), or, at the Secretary's discretion, sufficient seedlings to reestablish the stand.

## Section 123. Limitation on Assistance

The total amount of payments a person may receive may not exceed \$25,000, or an equivalent value in tree seedlings. This subtitle is not included in the \$100,000 limit.

## Section 124. Definition

An eligible orchardist is a person who owns 500 acres or fewer of trees and produces annual crops from these trees for commercial purpose.

## Section 125. Duplicative Payments

The Secretary is to establish guidelines so that no one receives duplicative payments from this program and the forestry incentives program, agricultural conservation program, or other existing Federal programs.

## Section 126. Sense of Congress on Crop Insurance for Orchard Crops

The Secretary should quickly expand crop insurance availability to all orchard crops.

## Forest Crops (Subtitle C)

## Section 131. Eligibility

The Secretary will provide assistance to eligible tree farmers who had a commercial tree loss greater than 45 percent (adjusted for normal mortality) on their seedlings planted in 1988 or 1989 for commercial purposes because of drought or related conditions in 1989.

## Section 132. Assistance

Assistance consists of either reimbursing 65 percent of the cost of replanting seedlings lost to drought or related conditions (over 45 percent of the loss), or, at the Secretary's discretion, sufficient seedlings to reestablish the stand.

## Section 133. Limitation on Assistance

The total amount of payments a person may receive may not exceed \$25,000, or an equivalent value in tree seedlings. This subtitle is not included in the \$100,000 limit.

#### Section 134. Definition

An eligible tree farmer is a person who owns 1,000 acres or fewer of trees and produces annual crops from these trees for commercial purpose or grows them for harvest for commercial purpose.

#### Section 135. Duplicative Payments

The Secretary is to establish guidelines so that no one receives duplicative payments from this program and the forestry incentives program, agricultural conservation program, or other existing Federal programs.

### Additional Assistance (Subtitle D)

#### Section 141. New Conservation Measures

The Secretary can make only limited reductions to rental payments to owners and operators who hay and graze livestock on Conservation Reserve Program acreage during the 1989 crop year, if these producers carry out additional conservation practices to enhance soil, water, and wildlife conservation on or in the vicinity of the acreage. The amount of the reduction which is prohibited is equal to one-half the amount paid by the producer to cover the cost of carrying out the conservation practices. These practices must be approved by the Soil Conservation Service and paid for by the producer. They include establishing permanent shelterbelts and windbreaks, restoring wetlands, establishing wildlife food plots, or planting trees.

#### Section 142. Assistance for Ponds

This provision amends the Emergency Livestock Assistance Act of 1988 (Section 607 of the Disaster Assistance Act of 1988). The Secretary is to reimburse producers up to 50 percent of the cost of constructing or deepening ponds for livestock water.

### Administrative Provisions (Subtitle E)

#### Section 151. Ineligibility

A person who has gross farm revenues in excess of \$2 million is not eligible to receive any disaster payments.

#### Section 152. Timing and Manner of Assistance

Disaster payments are to be made by the Secretary as soon as is practicable after enactment of this act. Before producers can receive payments, a completed application must be approved. If an application is received by the Secretary before September 30, 1989, the Secretary must make full or advance payments to the producer within 15 days after the application is received or by September 15, 1989, whichever is later. The advance payment must be at

least 80 percent of the total payment. Disaster payment applications are due by March 31, 1990, unless the date is extended by the Secretary.

Payments may be made in cash, commodities, or commodity certificates, as determined by the Secretary.

#### Section 153. Commodity Credit Corporation

The Secretary will use the funds, facilities, and authorities of the CCC to carry out the disaster payment program. This authority is in addition to any authority already granted to the Secretary or the CCC.

#### Section 154. Limitations on Outlays

If the 1989 corn acreage is greater than 73,250,000 acres, the total amount which can be spent on deficiency payments for 1989 wheat, feed grain, upland cotton, and rice must not be more than \$6,700,000. Any necessary reduction must be made on a pro rata basis. This provision limits outlays, if necessary, to avoid triggering a sequestration by going over budget.

#### Section 155. Regulations

The Secretary or the CCC will issue regulations to implement the disaster payments provisions as soon as practicable.

### Title II--Emergency Livestock Assistance

Title II of the Disaster Assistance Act of 1989 amends Sections 606 and 607 of the Agricultural Act of 1949. These provisions were added to the 1949 Act in the Disaster Assistance Act of 1988. They relate to assistance programs and other additional assistance for livestock and call for cost sharing with producers not to exceed 50 percent of the cost of the project.

#### Section 201. Use of Stored Grain for Assistance

Under the Emergency Feed Assistance Program, the Secretary may permit dealers or manufacturers to provide feed grain to livestock producers and replace it with CCC stock. Or, if the livestock producers choose, they may use the feed grain stored on their own farm that is under CCC loan.

#### Section 202. Livestock Transportation Assistance

The Secretary is given the authority to make \$25 million available for transporting livestock to and from grazing locations for 1989 emergencies.

#### Section 203. Livestock Water Development Projects

The Secretary is given the authority to make \$25 million available for constructing or expanding livestock drinking water.



#### Section 204. Animal Unit Methodology Study and Report

The Secretary must conduct a study about the methodology and justify the way in which animal unit feed requirements are calculated for the purpose of implementing the Emergency Feed Assistance Program. The results of the study must be reported to Congress within 90 days of the enactment of this act.

### Title III--Disaster Credit and Forbearance

#### Section 301. Emergency Loans

The Farmers Home Administration (FmHA) is authorized to provide emergency loans for producers whose crops were affected by disaster in 1989 whether or not the producer has previously purchased Federal crop insurance.

#### Section 302. 1990 Farm Operating Loans

To the extent possible, the Secretary will ensure that direct operating loans made or insured by FmHA for 1990 crop production are made available to farmers and ranchers suffering major losses due to excess moisture, freeze, storm, or related conditions occurring in 1989 or drought or related conditions occurring in 1988 or 1989. The Secretary may use the Agricultural Credit Insurance Fund for emergency insured and guaranteed loans during fiscal years 1989 or 1990. Agricultural Credit Insurance funds must first be used to satisfy the necessary level of assistance estimated by the Secretary for emergency disaster loans before being used for emergency insured and guaranteed loans.

The act extends FmHA loan guarantees to help producers who have borrowed from the Farm Credit System (FCS) or other commercial lenders and cannot repay all or part of 1989 operating loans or regularly scheduled 1989 or 1990 installments on farm real estate, equipment, buildings, or other operating debt.

The guaranteed loans for 1988 and 1989 natural disaster purposes must contain reamortization terms and conditions that will enable the farmer or rancher to receive new operating credit.

Any person able to receive crop disaster payments is also eligible for guaranteed loans from commercial or cooperative lenders to refinance 1989 or 1990 installment payments. The loans would allow a producer to repay 1989 or 1990 installments over a period of up to 6 years. To qualify, however, producers must be current in their obligations to the lender accepting the guarantee and must meet other criteria for FmHA-guaranteed operating loan borrowers.

#### Section 303. FmHA Loans Made to Indian Tribes

This section amends the act entitled "An Act to Provide for Loans to Indian Tribes and Tribal Corporations, and for Other Purposes:"

## Section 6. Reduction of Unpaid Principal

The Secretary may reduce to the fair market value the unpaid principal balance on loans made under this act to purchase land. The unpaid principal can be reduced if the fair market value of the land has decreased at least 25 percent since the land was purchased, the land has been held by the borrower for at least 5 years, and the Secretary of Interior finds the borrower does not have enough funds to repay the loans and provide normal tribal governmental services. A borrower who has loans reduced under this act cannot apply for another loan reduction for up to 5 years.

## Title IV--Rural Businesses

### Section 401. Disaster Assistance for Rural Business Enterprises

The Secretary will guarantee loans made in rural areas to public, private, or cooperative organizations, to Indian tribes on Federal and State reservations or other federally recognized Indian tribal groups, or to any other business entities to assist them in alleviating distress caused by natural disasters in 1988 or 1989. Loans to entities that refinance or restructure debt as a result of losses incurred directly or indirectly because of natural disaster in 1988 or 1989 are also guaranteed.

Loans made by any Federal- or State-chartered bank, savings and loan association, cooperative lending agency, insurance company, or other legally organized lending agency are eligible. A guaranteed loan cannot be denied because the borrower engages totally or partially in production agriculture.

The guarantee cannot exceed 90 percent of the principal and interest amount of the loan and guarantees made on loans to any eligible borrower may not exceed \$2.5 million. The total amount of loan guarantees must not exceed \$200 million. The Secretary will use funds from the Rural Development Insurance Fund for the loan guarantees.

## Title V--Water-Related Assistance

### Section 501. Emergency Community Water Assistance Grant Program

To assure adequate supplies of safe water to rural and small community residents, the Secretary must provide FmHA grants after 1) significant decline in the quality or quantity of the water supply; or 2) when repairs, partial replacement, or significant maintenance efforts on established water facilities would remedy an acute shortage in water quality or significant decline in quantity and quality of available water. At least 70 percent of the grants will be given to projects that fall in the first category. The maximum amount for each grant in the first category is \$500,000 and for the second category, \$75,000. At least 50 percent of these grants must go to rural communities with populations of 5,000 people or fewer. Grants cannot be used to assist rural areas that include any area in any city or town with a

population of 15,000 people or more according to the 1980 Census, or have a median household income in excess of the State nonmetropolitan median household income according to the Census.

To receive a grant, the applicant must be a public or private nonprofit entity and must prove that inadequate water supply occurred within 2 years of the date the application was filed. Grants, which must cover 100 percent of the cost of the project, can be used for waterline extensions from existing systems, laying of new waterlines, repairs, significant maintenance, digging new wells, equipment replacement, hook and tap fees, and other appropriate purposes. The grants will be awarded on a nationally competitive basis. This act authorizes \$35 million for each fiscal year 1990 and 1991 for this program.

#### Section 502. Livestock Water Assistance

The Secretary is authorized to make payments to producers who carry out emergency water conservation or enhancing measures for confined livestock during any severe drought in fiscal 1989.

#### Section 503. Disaster Assistance for Watershed Protection Activities

This section amends Title IV of the Disaster Assistance Act of 1988:

##### Section 402. Disaster Assistance for Watershed Protection Activities

The Secretary may provide financial and technical assistance to repair watersheds damaged by storms in 1988 or 1989. For fiscal 1990, \$25 million is authorized.

### Title VI--General Provisions

#### Section 601. Shrinkage Allowance for Peanuts

The export obligation of handlers of shelled or milled peanuts may be reduced by a shrinkage allowance determined by the Secretary. The allowance must reflect the actual dollar value shrinkage experienced by handlers in commercial operations, but it cannot be less than 4.5 percent. A handler that does not comply with peanut use restrictions (as determined by the CCC) may be granted a lower shrinkage allowance.

#### Section 602. Advanced Deficiency Repayment Deadline for 1988 Crops

The repayment of advanced deficiency payments which was set for July 31, 1989, under the Disaster Assistance Act of 1988 was further extended to July 31, 1990.

#### Section 603. Planting of Alternative Crops on Permitted Acreage

For the 1990 crop year, alternative crops will be allowed to be planted on up to 20 percent of a farm's base acreage. Oats would be permitted on feed grain acreage base. This act includes mung beans and mustard in addition to the alternative crops listed in P.L. 101-81 (See appendix).



## Section 604. Crop Insurance Yield Coverage

This section amends the Federal Crop Insurance Act by adding the following new section:

### Section 508A. Crop Insurance Yield Coverage

Effective with the 1990 harvest of the wheat, feed grains, cotton, rice, and soybean crops, the Federal Crop Insurance Corporation may implement multiperil crop insurance underwriting rules for determining yield coverage that permit a producer to use the farm program yield for the crop or the actual production history for the five previous crops. A producer may choose which alternative to use on a commodity-by-commodity basis. A crop insurance contract for a soybean crop producer must be based on a yield coverage plan using the producer's actual production history for the five previous crops. If a producer has not submitted adequate documentation of crop history, the producer will be assigned the farm's program yield for the crop, except for soybeans, where the producer will be assigned a yield equal to 100 percent of the area average yield, established by the CCC, for that crop of soybeans. A producer's coverage using actual production history cannot be less than coverage established using farm program yields, or, for soybeans, 100 percent of the most recent area average yield.

### Appendix--P.L. 101-81

P.L. 101-81 was also signed on August 14, 1989. Section 603 of the Disaster Assistance Act of 1989 amends this law. This act amends the Agricultural Act of 1949 for the 1990 crops to allow the planting of alternative crops on permitted acreage and amends the provisions regarding the designation of farm acreage base as acreage base established for oats.

## Section 1. Planting of Alternative Crops on Permitted Acreage

For the 1990 crop, producers of program crops can plant alternative crops on up to 20 percent of the permitted acreage for a program crop. The alternative crops which can be planted are canola, rapeseed, sunflower, safflower, flaxseed, kenaf, crambe, guayule, milkweed, or meadowfoam. The Disaster Assistance Act of 1989 also includes mung beans and mustard (see Section 603).

## Section 2. Oats

For the 1990 crop, oats are permitted to be planted on feed grain acreage base (excluding any portion designated to soybean) without affecting the historic base for the program crop for which oats are substituted.

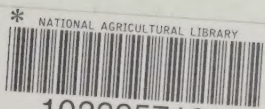






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